

CORPORACION MAPFRE, S.A.

REPORT FROM THE BOARD OF DIRECTORS ON THE PROPOSALS TO AMEND THE CORPORATE BYLAWS RELATIVE TO: NEW WORDING FOR ARTICLES 13, 14, 15, 17, 18, 20 TO 23 bis AND 25 TO 29; RENUMBERING ARTICLES 23 bis TO 26, 28 AND 29; ADDITION OF ARTICLES 30 AND 34, AND REMOVAL OF ARTICLE 23 c; AMENDMENT OF THE NAMES OF CHAPTERS 3, 4 AND 6 OF TITLE III AND OF TITLE IV ITSELF; AND RENUMBERING OF TITLES IV, V Y VI.

Madrid, 27 November 2006

I. ANTECEDENTS

Because of the corporate reorganization of SISTEMA MAPFRE that is mentioned in the first item of the agenda on the share capital increase, it is appropriate to amend the Corporate Bylaws so their content reflects the new needs stemming from the company's adopting the role of parent company for the entire business group, a function carried out until now by MAPFRE MUTUALIDAD. In this context, although minor changes of wording or adaptation are possible in the future, fundamentally the following amendments to the bylaws are addressed:

- The requirement for being a director (article 14), improving and broadening its wording with a dual goal: to assure the fulfillment of the requirements of suitability established by law and strengthening the independence of MAPFRE by limiting the participation of other persons linked to other financial groups.
- Regulation of Senior Offices (articles 15 and 22), foreseeing the possibility of there being a Chief Executive Officer, and several General Directors.
- Regulation of the Delegated Committee (article 20), a body which replaces the Executive Committee, made up of members of the Board of Directors and in charge of senior management and strategic supervision of the whole business group.
- Regulation of the Executive Committee (article 21), introducing the possibility of creating this body, made up of Senior Offices responsible for the Company and the main Operational Units and Common Areas, answering to the Delegated Committee and dedicated to working with this commission in issues of everyday management.
- Overall regulation (articles 23 and 24) of the functioning of the Delegated Committees, maintaining the specific reference to the existence of the Audit Committee under the terms mandated by law. The Delegated Committees will be developed through the regulations of the Board and the Code of Good Governance, as the bylaws spell out only the possibility of the committees existing and their overall scheme of functioning.
- Protection of the general interest of the Company (articles 25 to 30), incorporating– with the appropriate adaptations – the rules on protecting the general interest of the company as stated in the bylaws of MAPFRE MUTUALIDAD, adding a new article that establishes requirements for disposal of stakes in subsidiary companies.

- Donations to FUNDACION MAPFRE (article 34), proposing a new wording of the current article relative to donations to the Foundations, limiting them to 2 percent of consolidated net profit.

II. PROPOSED AGREEMENTS

- Amend the second sentence of the first paragraph and the third paragraph of article 13 of the bylaws, which will have the following wording:

First paragraph, second sentence

*It has full representative, disposal and management powers and its decisions shall bind the Company without restriction save as regards those powers that expressly rest with the Shareholders in General Meeting, **in line with the Law and these bylaws.***

Third paragraph

*The Board shall lay down regulations for the **Delegated Committee and the Executive Committee**, and for any committee referred to in the previous paragraph. It shall determine their powers and may freely appoint and dismiss their members, except anyone who is a natural member due to any office already held.*

- Amend the text of article 14 of the bylaws, which will have the following wording:

*The Board shall be comprised of a number of Directors of no less than five nor more than **twenty four**. A decision as to the number of Directors shall rest with the Shareholders in General Meeting.*

Persons holding the position of director must be widely known as being honest in their professional and business activity and have the necessary qualifications or experience in the same terms required by laws affecting financial or insurance entities that are subject to Government supervision. Under no circumstances can the post of director be held by:

- Persons with a criminal record for fraud, violations of secrets, discovery and revelation of secrets against the Treasury, the Social Security system, embezzling public funds and in general against property.***

- b) *Persons disqualified from holding public office or from administering or managing financial or insurance entities.*
- c) *Persons disqualified under the Insolvency Act, so long as the period of disqualification continues.*
- d) *In general, persons with incompatibility, incapacity or prohibition rulings under the law, especially Law 5/2006 10 April of the Madrid regional parliament.*

Also barred from being members of the Board of Directors are those persons who have significant amounts of shares in companies belonging to groups other than this one and its affiliated companies, as are persons who board members, executives and employees of said companies or act on behalf of these companies, unless they are designated by the Board of Directors itself and overall do not make up more than 20 percent of the total number of directors.

- Amend the first sentence of the first paragraph, the second and third paragraphs, and the second sentence of the fourth paragraph of Article 15 of the bylaws, which will have the following wording:

First paragraph, first sentence

*The Board shall, from among its members, elect a Chairman and it may likewise appoint one or more Vice-Chairmen **and one or more Chief Executive Officers.***

Second paragraph

*The Chairman shall represent the Company, convene and preside over meetings of the Board of Directors, **order compliance with its decisions and exercises all other functions assigned to him by these bylaws.***

Third paragraph

The Vice-Chairmen, in the order in which they were appointed, shall stand in for the Chairman if he is absent, ill or under an express delegation made by him. If there is no Vice-Chairman, the eldest Director shall act.

Fourth paragraph, second sentence

*In the event of his absence, the Vice Secretary shall act **and** if there is none, the youngest Director of those present shall act.*

- Amend the first and third sentences of the first paragraph and the second sentence of the second paragraph of article 17 of the bylaws, which will have the following wording:

First paragraph, first sentence

*Those Board members who do not have executive functions within the Company or companies which are part of its Group (external Directors) shall receive a fixed, basic remuneration which may be greater for those persons who have duties within the Board or carry out the functions of chairman of the **Delegated Committee, the Executive Committee or the Delegated Committees of the Board.***

First paragraph, third sentence

*The Board Members who form part of the **Delegated Committee, the Executive Committee or the Delegated Committees** shall receive an additional stipend for attending the meeting of these committees.*

Second paragraph, second sentence

*They shall not receive the remuneration to which external Directors are entitled, except for those granted the members of the **Delegated Committee, the Executive Committee or the Delegated Committees** as long as it has been agreed upon by the Board of Directors.*

- Amend the first, second and third paragraphs of article 18 of the bylaws, which will have the following wording:

First paragraph

*The Board shall hold such meetings as may be necessary to consider all those matters that fall within its area of competence, that are submitted to it by the Chairman, **by** the other Company governing body or any Director, and to obtain information about and, if pertinent, to authorize important matters dealt with and decisions taken by the **Delegated Committee, the Executive Committee** and the Delegated Committees. It shall, at least, hold four meetings each year to consider accounting, administrative, financial, technical and statistical information concerning the previous calendar quarter.*

Second paragraph

*Board meetings shall be convened by the Chairman or whoever stands in his place in accordance with the provisions of these bylaws, upon his own initiative at the request of three Directors. A call may be made by letter, electronic mail, telefax or telegramme **with at least five days' notice, except when the Chairman deems there are reasons of urgency, in which case the meeting can be convened with a minimum of 24 hours' notice.** It shall be deemed to be validly held if the meeting is attended, either personally or by proxy, by half plus one of its members. **Meetings held without prior notice will be also considered valid when all members of the Board attend and there is a unanimous consensus to hold the meeting.***

Third paragraph

It will take its decisions by absolute majority vote of the Directors in attendance at the meeting, save in the case provided for in number 2 of article 141 of the Limited Liabilities Company Act. The Chairman shall have a casting vote in the event of a draw. The Board may likewise make a decision by a vote taken in writing without a meeting being held, provided no Director objects to this procedure.

- Amend the title of Chapter 3 and amend the text of article 20 of the bylaws, which will have the following wording:

Chapter 3. Delegated Committee

Article 20

It is the body delegated by the Board of Directors for high-level coordination and permanent supervision of management of the Company and its subsidiaries in their strategic and operational areas, and for whatever decision-making is necessary for their adequate functioning. All of this is done in accordance with the powers that Board of Directors grants the committee at any given time.

It shall be made up of a maximum of 12 members, all of them members of the Board of Directors. Its Chairman, first and second Deputy Chairmen and Secretary will be those persons who hold these positions on the Board, which will name members until it reaches a maximum of 12 and will also be able to appoint a Deputy Secretary with no right to vote.

The Board of Directors will establish, and amend as many times as it times as it deems fit, the powers and workings of this Committee, which be set out in a public deed.

Amend the title of Chapter 4 and amend the text of article 21 of the bylaws, which will have the following wording:

Chapter 4. Executive Committee

Article 21

The Board of Directors may create an Executive Committee which, answering to the Delegated Commission, will be in charge of developing and executing this committee's decisions, devising proposals and plans for approval by the Delegated Committee and adopting ordinary management decisions within the powers assigned to it at any given time. The goal is to achieve coordinated and synergy-based management of the ordinary operations of the Company and its subsidiaries.

The Executive Committee will be made up of a maximum of 12 members, named from among the members of the Board of Directors and the Senior Executives of the Company and its affiliates. It shall be presided over by the Chairman of the Board of Directors or a person named by the chairman to represent him.

The Board of Directors will name, and when appropriate remove, the remaining members of the committee and the Secretary, and when appropriate Deputy Secretary, and determine and amend as many times as it deems fit the norms of its workings and its powers, which will be registered in the appropriate public deed.

- Amend the text of article 22 of the bylaws, which will have the following wording:

Article 22

The Board of Directors shall at all times determine which of the Senior Offices defined in Article 15 shall involve executive duties and the hierarchy among the same, in the event there is more than one.

Notwithstanding the foregoing, the Board shall appoint one or more General Directors who will, under the Senior Office decided in each case, carry out the management of the Company in the operational area assigned to each of them.

All those who carry out executive duties referred to in this article must render services to the Company in an exclusive fashion, although they can also work for other companies within the group and foundations linked to it. Their appointment and removal is up to the Board of Directors, which will determine their remuneration and other terms of their contracts and grant them the prerogatives and powers needed to do their jobs.

- Amend the title of Chapter 6, amend the text of articles 23 and 23-bis, integrate these into said chapter and erase article 23 c from the bylaws, all of this with the following wording:

Chapter 6. Delegated Committees

Article 23

In compliance with article 13 of these bylaws, the Board of Directors may create from amongst its members Delegated Committees, with the functions it considers appropriate in each case.

Said committees will be made up of a minimum of three members and a maximum of seven, designated for a maximum four-year period with the possibility of being re-elected. Their workings will abide by the following rules:

- a) Meetings shall be convened by their Secretary –or by whoever may act in his place – by order of the chairman, at his own initiative or upon request made by no less than two members who, should a meeting not be convened within a period of time of 10 days, may directly convene the meeting themselves by way of notarial means. A call to meeting may be made by letter, electronic mail, telefax or telegramme giving no earlier than seventy two hours notice.***
- b) A meeting will be validly held whenever more than half the number of members of the Committee attends, either personally or by way of a proxy, and the Chairman or Vice-Chairman is in attendance and the former has expressly given his consent. A meeting will also be validly held without a prior call having been made if all of the members of the Committee are in attendance and it is unanimously agreed to hold the same. The Committee will pass its resolutions on an absolute majority vote of the members present at the meeting and***

whoever presides over the meeting shall have a casting vote.

- c) If Chairman or Vice Chairman is absent or ill or the office is vacant, the meeting shall be presided over by the eldest of the members in attendance; if the Secretary is absent or ill or the office is vacant, he shall be substituted by the Deputy Secretary, or, failing this, by the youngest of the members in attendance.**
- d) If, in the Chairman's opinion, there is an urgent need or requirement, the Comité may, provided none of its members object, take any decision on specific proposals submitted to it by the Chairman without a formal meeting being held. In this regard, the Secretary shall, by post, electronic mail, courier, telegramme, telefax or any other proper means – send all pertinent proposals and documents to the Committee members, who must notify the Secretary of their agreement or objections by the same means no later than forty eight hours following the reception of such documents, and it shall be deemed that any proposal is passed if it is approved by a majority of the members of the committee.**
- e) Minutes shall be drawn up relating to every meeting. The Minutes may be approved by the Committee at the end of each meeting or at a later meeting or by the Chairman of the meeting plus one member of the Committee authorized by the former for the purpose. The Minutes shall be signed by the Secretary of the Committee or the Secretary of the meeting, by whoever may have acted as its Chairman and, if pertinent, by the member of the Committee who has approved them under delegated authority.**

Article 23-bis

In any case there shall exist an Audit Committee, the majority of whose members, including the Chairman, will be non-executive directors. They may be re-elected only after a period of one year has elapsed from the time they have left office. The Secretary of this Committee will be the same person serving as Secretary of the Board of Directors. This Committee shall have the following responsibilities:

- 1. To verify that the annual financial statements, as well as the six-monthly and quarterly financial statements, and all other financial information that is required to be filed with the regulatory or supervisory bodies, is true, complete, and adequate, and that it has been drawn up in accordance with the applicable accounting regulations and the criteria laid down on an internal basis by the General Secretary of SISTEMA MAPFRE, and that these are supplied within the proper time limit and with the correct content.***
 - 2. To propose to the Board of Directors, for approval by the Shareholders Meeting, the appointment of the Company's External Auditor, as well as to receive information regarding the activities of the said External Auditor and regarding any event or circumstance which may compromise his/her independence.***
 - 3. To supervise the activities of the Internal Auditing Service, for which purpose it shall have complete access to information regarding its action plans, the results of its work, and the monitoring of the recommendations and suggestions of the external and internal auditors.***
 - 4. To be informed of the financial reporting and internal control process of the Company, and to formulate such observations or recommendations as it may deem necessary for improvements to be made.***
 - 5. To inform the General Shareholders' Meeting in relation to such questions as may arise regarding those matters within its powers."***
- Amend the numbering of Title IV, which becomes V, and that of articles 23-bis to 26, which become bylaw articles 24 and 31 to 33, both inclusive, maintaining their wording.
 - Amend the name of Title IV and the text of bylaw articles 25 to 29, both inclusive, which will become part of this title, along with the new article 30. They will have the following wording:

TITLE IV

PROTECTING THE GENERAL INTEREST OF THE COMPANY

Article 25

In order to protect better the general and higher interests of the company, the precepts of this title are established and they may only be amended with the acquiescence of a General Shareholders' Meeting convened specifically for this purpose and an affirmative vote by more than 50 percent of the share capital.

The measures necessary will be adopted to assure fulfillment of these precepts both in the Company and all the entities in which the Company has a position of direct or indirect control.

Article 26

Members of the Company's Governing Bodies and Executives of it and its subsidiaries can hold shares in the businesses or companies in which the Company has, directly or indirectly, a significant economic stake only with specific authorization from the Board of Directors or body that it designates for this purpose and in compliance with the limits and norms set for this purpose by the General Shareholders' Meeting. In the case of listed companies, said authorization will not be necessary but the following rules will apply:

- ***Directors and Executives may not hold, directly or indirectly, shares that exceed the largest of the following limits: the one-thousandth part of the shares in circulation, or three hundred thousand euros in par value. However, when a company begins to list on the stock market, Directors or Executives who at that point held stock in excess of that limit will be allowed to keep those shares on an exceptional basis, although they will not be able to acquire new shares until their stake has adapted to the limits set in this article.***

Directors or Executives holding shares must inform the body designed to this effect by the Board of Directors about stock purchases and sales they carry out within seven days of these transactions having taken place.

In its yearly earnings report the Company will publish a list of the shares held by Directors and Executives at the end of each fiscal year.

This article will not be considered violated in the case of Directors of a Company who were appointed specifically because they held shares in that company.

Article 27

The Board of Directors will take special pains to assure that under no circumstances will funds and property that constitute the assets of the Company and its subsidiaries be applied directly or indirectly to ideological, political or other ends that are alien to their respective business goals or ends: the only exceptions are the donations called for under article 34 and the limited quantities earmarked for charitable or social purposes in line with the Group's business approach.

In the event the Company or its subsidiaries dissolve, undergo a transformation or merge, the Directors, Executives and Employees may not reserve any stake in or special right over the material or immaterial assets of the Company and its subsidiaries. However, this does not preclude what they might be entitled to as shareholders, if in fact they hold shares.

Article 28

Positions as members of the Board of Directors, Executives, Managers and Employees are off-limits to persons who are up to second-degree relations, even by affinity, with active-duty members of the Board of Directors, Executives, Managers and Employees. In the case of persons who are third-degree relatives, this requires authorization from whatever body is designated to this effect by the Board of Directors.

Article 29

Senior Offices that carry out executive functions, Executives and all personnel of the Company and its subsidiaries must retire in line with the terms spelled out in their contracts and at the age of 65 at the latest.

Article 30

Disposal of stakes in subsidiary companies will require a favorable vote by three-fourths of the members of the Board

of Directors when this involves the loss of status of majority shareholder or direct or indirect control over the companies.

This will require the additional approval of the General Shareholders' Meeting when, added to other disposals carried out in the last three fiscal years, the disposal involves a loss of the majority of votes or direct or indirect control over all the subsidiary companies or a part of them that represent more than a third of the Group's revenue or consolidated earnings.

- Incorporate a new article 34, with the following wording (from the old article 27):

Article 34

*The Company **or its subsidiaries** shall, each year, allocate part of their profits to making contributions or donations **to the FUNDACION MAPRE to finance its activities**. The amount of these contributions, **which** shall be determined every year by the **respective** Ordinary General Shareholders' Meeting, cannot exceed **altogether** 2 per cent of the Group's **consolidated net** profits.*

- Amend the numbering of Titles V and VI, which become VI and VII, respectively, and that of articles 28 and 29º, which become, respectively, articles 35 and 36, of the corporate bylaws, retaining their wording.
- Delegate the Board of Directors to proceed with the drafting of a new text with the updated content of the corporate bylaws including all the amendments agreed so far and presenting it to the Mercantile Registry.